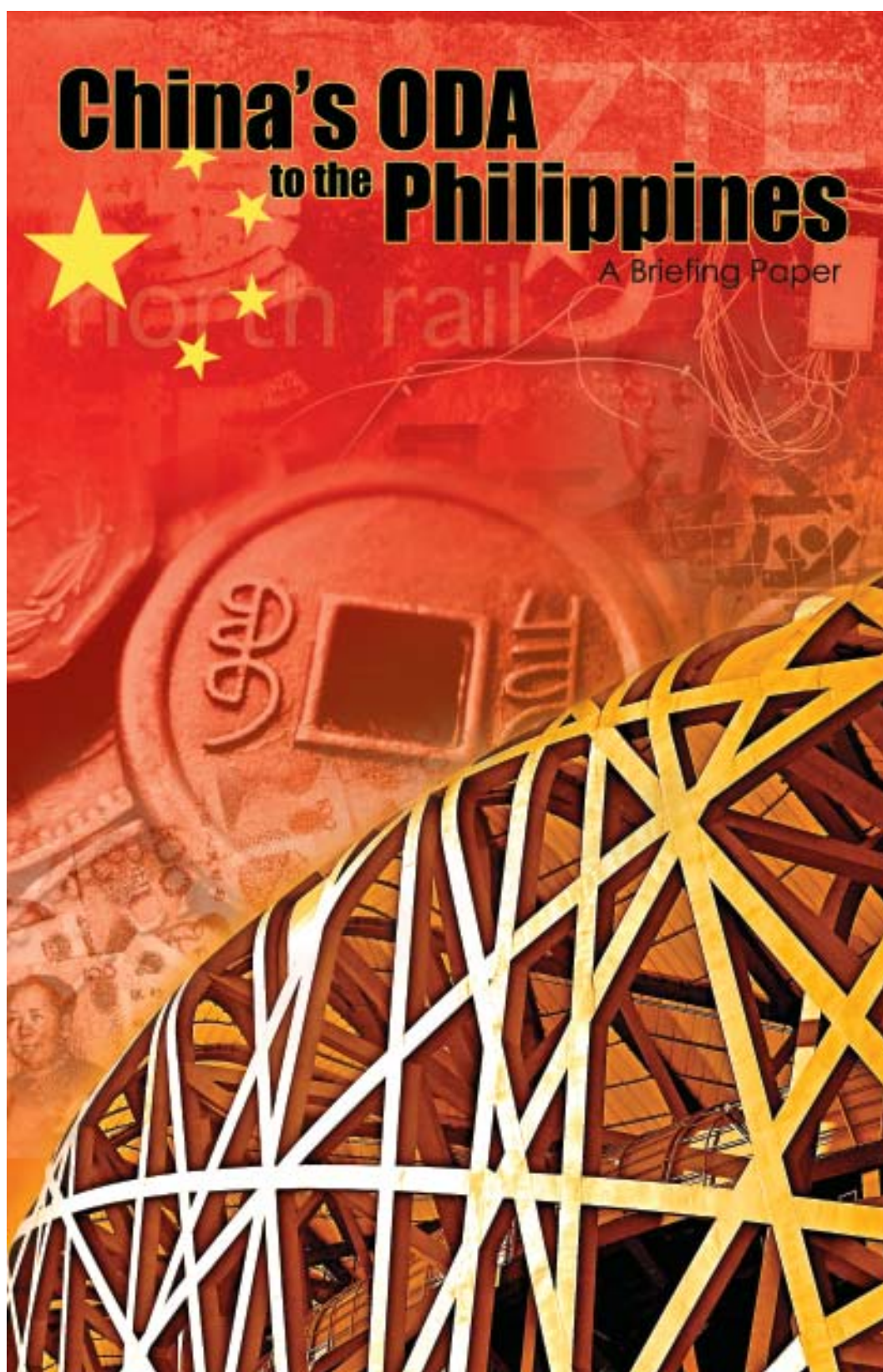


China's ODA **to the Philippines**

A Briefing Paper



CHINA'S OFFICIAL DEVELOPMENT ASSISTANCE TO THE PHILIPPINES

A Briefing Paper

**Carlos H. Aquino Jr.
Josephine Jensen-Joson**

December 2009

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Official Development Assistance Watch - Philippines

c/o MODE, Inc.

99 Matimtiman Street, Sikatuna Village, Quezon City 1101

Telephone no.: (632) 426-1126 / 434-3576

Fax no.: (632) 426-1126

Email: odawatch@mode.org

Website: <http://www.odawatch.org>

Cirilo Nachura

ODA Watch Co-Convenor

Email: rnachura@yahoo.com

Arnel Ramos

ODA Watch Coordinator

Email: odawatchconvenor@yahoo.com / odawatch@mode.org

Editors

Cirilo Nachura

Patricia Fe Gonzales

Aurora Regalado

Layout and Cover Design

Rundell A. Ato

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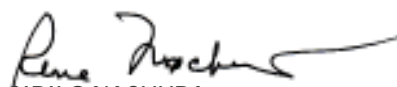
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FOREWORD

The Management and Organizational Development for Empowerment (MODE) has initiated a series of researches focusing on Official Development Aid (ODA) in aid of policymaking and lobbying. From 1999 to early 2001, MODE undertook a critical analysis of select ODA-funded rural development projects – the Belgian Integrated Agrarian Reform Program (BIARSP), the Bondoc Development Program (BDP) and the Western Samar Agricultural Resources Development Program (WESAMAR). This was followed by an assessment of civil society participation in co-implementing selected ODA projects. Recently, we explored the implications of current climate change financing initiatives on development assistance.

Historically, the bulk of ODA funds have come from rich countries notably Japan, Europe and the United States. With the emergence of China as an economic power, it has also emerged as a significant donor giver. This book/ primer analyzes the nature and scope of Chinese Official Development Assistance in general and China's "development aid" to the Philippines, in particular.

It is our hope that the findings and recommendations from this research will be useful to regional, national and local policy makers, planners and implementers in ensuring that these aids are more effective and responsive to the Filipino people's real needs.



CIRILO NACHURA
Co-Convener
ODA Watch – Philippines



AURORA A. REGALADO
Managing Trustee
MODE, Inc.

INTRODUCTION

Aid giving is no longer the monopoly of the very rich countries. In fact, new players tagged as non-DAC (Development Assistance Committee) donors have recently established their foothold in some areas of the development sphere such as large scale infrastructure projects that previously were not well explored by the traditional aid givers. As the *2008 Global Monitoring Report* observed: "The new donor's increasing role is changing the aid landscape. New donors and modalities promise more resources and innovation for development."

Among the Non-DAC donors, China stands in a league of its own. Observers point out that China not only has a different approach to aid, but it also makes no pretensions in projecting its economic ambitions and its intentions for aid giving— to show the world that China means business and cannot be ignored. It is a subtle declaration of its ascension as a respectable player in the international development scene (though not necessarily as a super provider of economic care since it still regards itself as a developing country). This early, China has ruffled some feathers in the aid-giving community via its blatant money rattling maneuvers. It is not surprising, therefore, that China's comeback as aid donor has become the buzz in the international development assistance circle. As Professor Eduardo Tadem (2007) of the UP Asian Center commented, "China's emergence as a new player in foreign development assistance introduces a new dimension to the global context of ODA."

As an economic giant and an unabashed military-conscious state, it is in the national interest of China to project an image of benevolence and Confucian piety. China accomplishes this through the application of the so-called "soft power", also known as the strategy of "charm offensive" or "chequebook diplomacy", which includes development assistance, international trade, overseas investments, diplomatic initiatives, cultural influence, humanitarian aid, disaster relief, education, travel and tourism.

China's coming-out as an aid donor has raised more questions rather than create assurance that, despite its size and growing stature, it is still a benign economic giant. At any rate, one can readily ask:

Is China challenging the current configuration of the ODA system? Or is it merely pursuing its strategic objectives and other security concerns just like the other donors but this time taking a development assistance path that mimics the Chinese way of reading texts in reverse?

This paper explores, in general, the nature and scope of Chinese Official Development Assistance and specifically looks into China's development aid to the Philippines. The main policy question for advocates at the moment is to find the proper terms of engagement for Chinese development assistance within the context of a people-centered, gender-responsive, rights-based and sustainable human development.

OVERVIEW OF CHINA'S DEVELOPMENT ASSISTANCE

Current Trends

China's foreign aid, as many analysts lament, remains "difficult to quantify, due to lack of data and the unique characteristics of Chinese assistance" (US Senate's Congressional Research Service or CRS, April 2008). China "administers a wider range of economic assistance that includes non-development aid and low-interest loans, as well as trade and investment agreements. According to some analysts, when these kinds of assistance are added, China becomes one of the largest bilateral aid donors in Southeast Asia" (CRS April 2008).

Thus, "any estimates of China's foreign assistance in PRC official publications and in the existing scholarly literature do not appear to capture much of PRC aid activity" (Lum et al. 2009). While the *China Statistical Yearbook 2003-06* reportedly released an annual aid figure of \$970 million, other sources place the annual PRC foreign assistance in the range of \$1.5 billion to \$2 billion. "These figures would place China's aid levels comparable to those of Australia, Belgium, or Denmark" (Lum et al. 2009).

Qi Guoqiang (2008), an analyst from the Association of Chinese Studies, reported that Chinese bilateral aid stood at 1.05 billion dollars in 2006, twice as much as the end-1990s figure. Said amount "covers grants, interest-free loans, preferential loans, joint ventures, scientific and technical cooperation projects and medical assistance." For the period 1998-2006, "cumulative Chinese aid reached 5.32 billion dollars and the amount of aid for 2007 alone is expected to reach 1.4 billion dollars, a 25% increase over the previous year (aid increased at an average annual rate of 12.6% between 1998 and 2007)." Most of the increase can be attributed to the "tremendous increase in humanitarian aid, the rise in the number of preferential loans to finance sectoral projects in Asia and Africa and the increased aid to Africa under commitments taken since 2000 in the Forum on China-Africa Cooperation" (Qi Guoqiang 2008).

On the other hand, "many analysts, applying more flexible definitions of foreign aid, consider actual PRC aid numbers to be far higher" – with some of the discrepancies possibly due to attributing "many Chinese economic activities abroad as foreign investment rather than aid" (Lum et al. 2009). A US Congressional Research Service (CRS) report stated that in 2006 and

2007, China's annual foreign direct investment outflows totaled roughly \$21 billion annually. Counting some of these outflows as aid would raise PRC foreign assistance estimates. However, doing so would also lower calculations of China's outward investment levels, which are small compared to those of the United States (\$216 billion in 2006)" (Lum et al. 2009).

The New York University's (NYU) Robert F. Wagner School on Public Service's study on China's foreign aid, pointed out that in 2007, the last full year for which Chinese aid-related activities were examined in the study, the research team found projects worth up to \$25 billion in aggregate. Of this amount, \$16.6 billion, or 66%, was provided in the form of loans (concessional loans or credit lines), \$7.2 billion, or 29%, represented state-sponsored investment, and the remaining 5% included grants, debt cancellation or debt relief, and in-kind aid."¹ Lum et al. (2009) admonished that: "Although the NYU Wagner School study strongly indicates that China has been providing significant and growing amounts of economic assistance to developing countries—if not ODA as defined by the OECD—the totals should be interpreted with caution. Some values may be inflated. Many loans represent offers or pledges that may not have been fulfilled. Some projects have been cancelled. Some aid endeavors involving several activities or taking several years to complete may have been counted more than once. And some PRC investments that were counted as aid may actually be foreign direct investments. In other ways, however, totals may be undervalued, such as when projects or data have not been reported or when Chinese materials and labor have not been included."²

China has announced grand plans for the next three years: \$10 billion for developing countries, with an incremental \$5 billion for the Association of Southeast Asian Nations (ASEAN), \$3 billion for the Pacific Islands, and \$3 billion for Africa plus another \$2 billion in preferential credits (Kharas 2007). According to Kharas (2007), China announced at the African Development Bank annual meeting in Shanghai in May 2007, its intention to provide up to \$20 billion in infrastructure and trade financing for Africa alone over the next three years.

¹ See New York University Robert F. Wagner Graduate School of Public Service, Understanding Chinese Foreign Aid: A Look at China's Development Assistance to Africa, Southeast Asia, and Latin America, April 25, 2008. The study tabulated PRC foreign assistance and related activities (e.g., pledges of aid or loans and government-sponsored investment projects) covering 62 African, Latin American, and Southeast Asian countries between 2001 and 2008.

² In the case of outbound Chinese foreign investments, it may be the case that "much of what appears to be the PRC's investment and assistance may be "round-tripped" — or returned back to China as foreign investment" — thus making the extent of PRC foreign assistance to other countries difficult to determine accurately (Dumbaugh 2008).

China's General Approach to Aid

China's development assistance policy is guided by its own development needs. China maintains the image of a developing country, reiterating that it should not be compared to traditional donor nations. Assistance is tightly linked with the promotion of Chinese business interests. A key condition of soft loan provision is the participation of Chinese companies (Kassenova 2009).

As in many other aid giving governments, Chinese bilateral aid is managed primarily by the Ministry of Commerce, while multilateral aid is managed by the Ministry of Finance. Major policy decisions on aid however, are made 'by the Chinese leadership, which means the State Council (Lancaster 2007).³

There are instances when "Chinese ambassadors come together periodically to propose aid levels for their countries and individual project proposals are vetted by country desk officers in the Ministry of Foreign Affairs." If the projects are sizeable, the Ministry of Finance also steps in. If projects involve specialized knowledge located in other ministries, e.g., health, those ministries may also be consulted with. (Lancaster 2007).

There are times when "recipient governments and Chinese embassies in the field propose aid projects for funding—much like the "request-based" aid programs of Japan and Nordic countries. In such cases, officials from the Chinese government or Chinese firms undertake feasibility studies of these project proposals. The Chinese Export Import Bank often finances the project (sometimes raising funds for it from Chinese financial markets). The project is usually implemented by Chinese firms" (Lancaster 2007).

China employs three major mechanisms of providing development assistance: Through the Ministry of Commerce (MOFCOM), the China Export Import Bank and other government agencies (Lancaster 2007).

³ "The State Council is the highest level of authority in the Chinese government. It is made up of the premier, four vice-premiers, five councilors, ministers and heads of government agencies and other officials—amounting to roughly 50 individuals" (Lancaster 2007).

Types of assistance include:

- **Grant Aid.** To minimize corruption, aid is disbursed in kind through various projects, as requested by the recipient country (Kassenova 2009). Grants are used mainly to help recipient countries execute small social projects like hospitals, schools, low-cost housing, drinking water conveyance, etc. (Qi Guoqiang 2008).
- **Preferential or Concessional Loans.** These are extended by the Government through the China Export-Import Bank (EXIMBANK) and usually given an interest subsidy by the Ministry of Commerce.⁴ Preferential loans are usually medium to long-term loans approved based on project profitability. (Kassenova 2009), especially industrial and infrastructure projects.

Lancaster (2007) reported that: "Chinese aid that is provided not as financial transfers in the form of budget or program support is almost always "materialized" In the words of one official, "the recipient government may never actually receive the funding. It may be directly transferred to the approved implementing company as soon as they have won the tender, with the recipient country invoiced as the official payee of the loans. Thus, the money stays in the Chinese system" (Kassenova 2009). According to its regulations, concessional loans are used for procuring equipment, materials, technology and services, with no less than 50 percent of the contract's procurement coming from China. EXIMBANK is the sole administrative body for concessional loan financing (Kassenova 2009).

⁴ The Ministry of Commerce approves this process and the funds for the interest subsidy are taken from the budget allocated to foreign aid that sits with the Ministry of Finance. The annual interest rate is around 2% with a repayment period of twenty years (Qi Guoqiang 2008). In the case of Chinese lending to various African countries in recent years (including both infrastructure and other types of loans), Chinese loans, on average, "offer an interest rate of 3.6 percent, a grace period of four years, and a maturity of 12 years. Overall, this represents a grant element of around one third. Nevertheless, the variation around all of these parameters is considerable across countries; thus interest rates range from 1-6 percent, grace periods from 2 to 10 years, maturities between 5 and 25 years, and overall grant elements between 10 and 70 percent" (Foster et al. 2008).

- **Interest-Free Loans.** These are loans usually granted in the context of a technical and economic cooperation agreement and usually favors the following sectors: culture, sports, agriculture and health.
- **Other funds for promoting economic cooperation between Chinese businesses and recipient countries.** In terms of its use, “the aid can take the form of major sectoral projects (agriculture, transportation, communications, the extractive industry, etc.), focusing on technical cooperation, humanitarian aid and multilateral aid through the United Nations system, the World Bank and the regional development banks” (Qi Guoqiang 2008). Assistance may take the form of “commercial loans, the size or the terms of which are not revealed, and investment, mostly in natural resources, through joint ventures or acquisition of licenses for production. Foreign direct investment flows may, at times, be the counterpart of loans, a phenomenon observed in Angola, Nigeria or Sudan. The main arm of the Chinese government for bilateral aid to Africa is China Export-Import Bank, which is involved in financing almost all the most important projects” (Reisen 2007).

In terms of financing, “the New York University Wagner research team found out that most of the aid to the three regions (Africa, Latin America, and Southeast Asia) is provided in the form of state-sponsored investment. From 2002-2007, Chinese government-backed investments made up 53% of reported aid activity, concessional loans, 42%, and grants and debt cancellations, 5%”. (Lum et al. 2009).

No to OECD-IMF-WB-ADB Type of Loan Conditionality. It is now common knowledge that the “Chinese provide their aid largely without the conditions that typically accompany Western aid” (Lancaster 2007). These requisites include the recipient government's good human rights performance, strong economic management, environmentally responsible policies, market opening, and political openness. Chinese assistance and related economic activities are “made available relatively quickly and easily — without the political, economic, social, and environmental conditions and safeguards and bureaucratic procedures that major OECD aid donors, multilateral financial institutions, and multinational corporations typically impose” (Lum et al. 2009).

Instead of the Development Assistance Committee guidelines, China uses the ‘Eight Principles’ as guide. These principles “affirm China's preference for aid that fosters self-reliance, yields quick results, uses interest-free or low interest loans, requires Chinese aid workers to keep a local standard

of living and specifies aid should 'never' have any conditions attached" (Hanson June 2008). The first of the 'Eight Principles' of Premier Zhou Enlai that guide China's aid policy reinforces this commercial motive. It states that China 'always regards aid to other countries as mutual and not as a kind of unilateral alms' (Hanson June 2008).

In the main, China espouses non-interference in internal affairs and treatment of other countries as equals. Coupled with its readiness to render development assistance, this policy helps China to position itself as a benevolent global power that at the same time is sensitive to local concerns and a source of "well-being and order". China offers its own example of development but does not impose blueprints and models to follow (Kassenova 2009).

China operates with "only one official conditionality"—the "One China" principle. "It does not cooperate with countries recognizing Taiwan. 'No other strings' are attached to loans from China according to its government" (Schmitt October 2007). Moreover, China enjoins recipient-partner countries to support her agenda in the United Nations (Lum et al. 2009).

Nonetheless, since "China's aid projects to a large extent serve its own development needs," the Chinese government usually requires that no less than 50 percent of project materials, equipment, services, and technology needed to deliver the project be sourced from China and that a Chinese enterprise be selected as the contractor or exporter (Foster et al. 2008; Lum et al. 2009). This places Chinese concessional loans under the category of "tied aid".

Go out and seek abundant raw materials. The Chinese government "uses credit to support regional and global expansion of national champions, including state oil companies such as CNPC, Sinopec, CNOOC; construction companies, such as China Road and Bridge or China Railway Company; mining companies such as Zijin Mining; and so on." This is part of the "Go Out" China development strategy (Kassenova 2009). As the NYU Wagner School study puts it, Beijing "aims to open up foreign markets for Chinese goods and help PRC companies invest, set up manufacturing plants, and develop markets overseas". Lum et al. 2009).

Another objective of China's development assistance program is to gain access to the natural resources needed to sustain China's economic growth (Kassenova 2009) such as oil, minerals and timber. "Like nearly all aid-giving governments, China utilizes aid to ensure its political and strategic interests.

Which includes dissuading governments from providing diplomatic recognition to Taiwan, discouraging governments from supporting Japan for a seat in the UN Security Council, bolstering its expanding diplomatic presence world wide and creating warm relations with developing countries that would support Chinese policies in international forums" (Lancaster 2007).

To secure Chinese investments, Beijing developed the so-called "resource-backed loans scheme" wherein the recipient country provides its resources—for example gold—as security for the loan (Angolan model). The Chinese government has been promoting similar "assets for resources" arrangement in Central Asia (Kassenova 2009).

China has not formally joined the established donor community. China sends the message that it is still an autonomous donor and an alternative development assistance provider. China remains "cautious" when it comes to multilateral cooperation arrangements with traditional donors. Rather than integrate with the established development community completely, Beijing is experimenting with its own multilateral bodies such as Forum for China-Africa Cooperation or FOCAC; Shanghai Cooperation Organization or SCO. (Kassenova 2009).⁵

At the same time that the PRC is providing global aid and investment, it is also on the receiving end of substantial aid and investment, explained Kerry Dumbaugh of the US CRS. "Eligible for World Bank lending as one of 24 Bank-classified developing countries in East Asia and the Pacific (along with the Philippines, Mongolia, Fiji, and Palau), China not only is the largest recipient of World Bank lending in Asia but also one of the largest in the Bank's global activities. The Bank's lending to China in FY2008 (June 30, 2007 to June 30, 2008) reached \$1.51 billion.⁶ Cumulative Bank lending to China since 1981 as of June 30, 2007 was approximately \$42.2 billion. The PRC is also the largest recipient of foreign direct investment (FDI) among developing countries" (Dumbaugh 2008).

⁵ Despite the lack of accurate statistics on China's contribution to multilateral aid agencies and international financial institutions, China has "maintained a close relationship with them, given that it is itself one of the main beneficiaries of their aid" (Qi Guoqiang 2008).

'Wowing' aid recipients. Beijing seems to have a penchant for 'wowing' aid recipients (Hanson June 2008). "The way China announces its aid projects reveals a flair for showmanship, which itself points to objectives that go beyond narrow development goals. High-level personalities, including the Premier and Foreign Minister, make a point of visiting Pacific countries that almost always end up with an aid announcement and agreement of some sort. Pacific leaders are also regularly invited for grand state visits that are usually accompanied by aid announcements" (Hanson June 2008).⁶

Main Thrusts of Chinese Development Assistance

China's continent-hopping sojourns in Asia, Latin America and Africa indicate its aggressive pursuit for access into various resources such as oil, industrial metals, marine and even agricultural resources. With its "Good Neighbor Policy" diplomatic strategy, China sees to it that Asian countries including the former Soviet republics of Central Asia are included in its development assistance program (Qi Guoqiang 2008).

While it may not be an explicit policy of China to give the Asian sphere more assistance than the other regions, "the volume of Chinese aid is, however, traditionally greater" in Asia with North Korea, Mongolia, Laos, Cambodia, Pakistan and Burma topping the list of major recipients. (Qi Guoqiang 2008), Take note that these relatively poor Asian countries are the ones that have had relatively unfriendly relations with the United States (CRS April 2008). Almost by default, China became not only the "primary economic patron" of these countries, but also provided them an "implicit security guarantee"—much like what the United States extends to its allies. China likewise "provides considerable assistance to Vietnam, although its influence upon its former adversary appears limited compared to other countries" (CRS April 2008). Apart from Asia, China gives special attention to Africa pledging to double the aid to the region by 2009 (Lancaster 2007). It also maintains close relations with Latin American countries which could be rich sources of oil for China.

⁶ Chinese development assistance, "announced at lavish receptions with toasts to the recipient countries, often carries great symbolic value." Many Chinese aid projects, such as government buildings, infrastructure, and energy facilities "are high profile efforts that primarily benefit capital cities or the governments in power" (CRS April 2008).

Chinese aid is closely linked with infrastructure development, resource extraction, telecommunications, and transport—"something many poor countries need and want, but often find traditional Western aid donors reluctant to fund" (Lancaster 2007). The vast majority of China's aid in the period 2005–2007, for instance, was directed at infrastructure projects such as sports facilities, government offices, roads and fish processing plants (Hanson June 2008).

According to one report, China has recently "financed many infrastructure and energy-related projects in Burma, Cambodia, and Laos that rely upon Chinese materials and technical expertise as well as labor."⁷ In return, China has been able to "access raw materials and oil" (Lancaster 2007).

⁷ "There are some indications" that Chinese aid in Asia is "diversifying, including support to anti-trafficking in persons and anti-narcotics efforts, programs involving Chinese youth volunteers (Laos), elections (Cambodia), and historical preservation (Cambodia)" (CRS April 2008). To some extent, the Chinese are "expanding their scholarships for training individuals from developing countries and are providing medical assistance to a number of poor countries" (Lancaster 2007).

SCOPE OF CHINA'S ODA TO THE PHILIPPINES

China-RP aid and Trade Relations

Nature and Highlights of RP-China bilateral economic relations

The beginning of the new century saw acceleration in the Philippines-China economic relations (Storey 2006). Two-way trade rose to a phenomenal 433 percent between the years 2000 and 2005, from US\$3.3 billion to US\$17.6 billion (Tadem, 2007). China became the Philippines' fourth largest trading partner in 2005, up from 12th place in 2001.⁸ The two governments have also agreed on an annual bilateral trade target of US\$30 billion by 2010. Investment and development assistance followed.

China is now one of the Philippines' most important partners. President Macapagal-Arroyo has said in various official pronouncements that the Philippines desires a healthy, comprehensive, and long term relationship with China that transcends the specific issues between them. The Department of Foreign Affairs reports that China is RP's second largest source of ODA loans (after Japan). It is the third largest trading partner (after US and Japan). It is the fifth largest tourist market (after US, Korea, Japan and Taiwan).

Economic cooperation between China and the Philippines is a pillar of the Philippines' foreign relations policy (See Annex 1 for the Profile of China-Philippines relations). However, there are several conflicting statistics on just how much is the monetary value of Chinese investments in the Philippines. According to the National Statistics Office (NSO), bilateral trade has been growing at an average annual growth rate of 41.39 percent since 2001. In 2006, bilateral trade with China amounted to \$8.2 billion, as RP exports to China reached \$4.6 billion and imports from China amounting to \$3.7 billion (See Annex 2 for the list of Philippines-China Bilateral Agreements). This makes China the Philippines third largest trading partner after the US and Japan. From January to October of the following year, RP-China trade amounted to \$8.1 billion with RP exports amounting to \$4.8 billion and imports from China to \$3.3 billion. (NSO; DTI – Bureau of Export Trade).

⁸ For 2005 alone, two way trade between the two countries amounted to US\$6.97 billion, or 8 percent of total external trade for the year. Interestingly, the Philippines enjoyed a healthy trade surplus of US\$8.1 billion with China between 2000 and 2005.

However, according to the China General Administration of Customs, China is the Philippines' number one trading partner. According to their figures, bilateral trade between the Philippines and China amounted to \$23.4 billion in 2006, increasing by 33.3 percent over the 2005 figure of \$17.67 billion. Philippine exports to China amounted to \$17.67 billion, while imports from China reached \$5.74 billion. Based on the latest figures released by the General Administration of Customs in China (as relayed to the DFA by the Chinese Embassy in Manila), RP-China trade in 2007 amounted to \$30.62 billion, an increase of 30.8 percent from \$23.4 billion in 2006 and an increase in 33.3 percent from \$17.59 billion in 2005. Exports to China in 2007 amounted to \$23 billion while imports reached \$7 billion.

After the celebration of the 30th anniversary of the establishment of diplomatic relations between China and the Philippines in 2005, relations between the two countries grew stronger especially in the political-security, economic and socio-cultural fields. Trade, investment, tourism, technical and economic cooperation provided the main engines of bilateral interaction, together with the increasing frequency of high-level exchange of visits, increasing number of bilateral agreements and sister-province and sister-city arrangements. During Chinese President Hu Jintao's state visit to the Philippines in April 2005, he agreed to invest US\$1.1 billion in the country, including US\$950 million in a nickel mining plant.

Based on statistics of the Board of Investments, total approved Chinese investments in the Philippines amounted to US\$381.5 million in 2006, which accounts for 14.4% of total foreign investments in the Philippines that year. This is a far cry from the mere US\$3.8 million Chinese investments in 2005 which accounted for a meager 0.14% of total foreign investments to the Philippines for the period. Chinese investments were mainly focused on manufacturing of garments and packaging materials and very minimally on semiconductors. For the first time, it climbed to third place after Korea and the US and followed closely by Japan. On the other hand, based on Chinese Ministry of Commerce statistics, contracted Philippine investments in China amounted to US\$134 million in 2006.

Tourism arrivals from China have picked up significantly. First is government's tourism campaigns in China, which included the opening of new air service links such as chartered flights connecting Manila to Guangzhou, Shanghai and Macau, and regular flights connecting Manila to Beijing, Hong Kong and Xiamen) and some visa facilitation measures,

According to the Department of Tourism, 133,585 Mainland Chinese tourists entered the Philippines in 2006, increasing by 24% compared to the 107,456 tourists in 2005. The 2005 figure was itself a dramatic increase of 171.5% compared to the same period in 2004. However, while these figures make China the fastest growing source of tourism arrivals in the Philippines, they are but a small portion of the 34 million outbound Chinese tourists in 2006, a figure further projected by the World Tourism Organization to swell to 100 million by 2020.

During the January 2007 visit of Premier Wen in Manila, the Philippines and China signed 15 landmark government-to-government agreements and 15 other agreements. Most of them covered the agriculture and fisheries sector. Among these agreements is the Framework Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation, which charts the direction of the two countries' economic cooperation for the next decade.

The Philippines and China are also drafting the Joint Action Plan for Strategic Cooperation, which aims to provide strategic direction to the bilateral relations of the two countries in all aspects, not only economic. The two sides are finalizing the text of the Plan, which is to be signed by their respective Ministers of Foreign Affairs in the first quarter of 2008.

On January 15-16, 2007, Philippine President Gloria Macapagal Arroyo and Chinese Prime Minister Wen Jiabao discussed and witnessed the signing of thirty-one bilateral agreements between the Philippines and China. These agreements covered trade, cultural protection, agriculture, mass transportation and customs cooperation.

Levels of Aid, Sectoral allocation, Types of Projects, Terms and conditions

As part of its development assistance to the Philippines, the Chinese government provided loans to five projects worth \$763 million. An additional funding consideration is a loan of US\$541 million for two infrastructure projects (Olchondora 2007 and Gaylican 2007). Of the five approved loans, the most controversial is the North rail project, which consists of a US\$503 million concessional loan from the Export-Import Bank of China and a Philippine government's counterpart of US\$107 million. Signed on February 26, 2004, the loan agreement is aimed at rehabilitating and upgrading the North Luzon Railways. It is so far China's largest ODA commitment to the Philippines.

In July 2006, government signed a new memorandum of understanding (MOU) with China on the rehabilitation and upgrading of the southern portion of Luzon's railway system (Escandor 2006). This MOU paved the way to two loan agreements between the two countries signed during the visit of Chinese Premier Wen Jiabao in January 2007. The two agreements committed US\$1 billion in long-term fresh credits which would enable Chinese state-owned corporations to gain contracts for the building and repair of existing Luzon rail links without going through competitive bidding (Landingin 2007).

Chinese banks, all of them state-owned, seem to be competing with each other in providing ODA loans to the Philippines. Aside from funds committed through the China Export-Import Bank, China Development Bank, China's biggest bank, started talks with the Philippine government on providing concessional loans for infrastructure development (Manila Bulletin 2007).

All in all, China has pledged to provide the Philippines with US\$2 billion in loans each year from 2007-2009. This commitment was made during a lunch meeting of 100 aid donors in August 2006 in Manila, an announcement that shocked Western donors particularly since it made "the US\$200 million offered separately by the World Bank and the Asian Development Bank look puny, and easily outstripped a \$1 billion loan under negotiation with Japan" (Perlez 2006). An additional embarrassment is that the Philippines hosts the ADB headquarters, which is dominated by Japan and the United States.

China now appears to be filling the gap created by falling OECD DAC development assistance to the Philippines which observers say is caused in part by the US government's displeasure with Mrs. Arroyo's decision to withdraw Philippine troops from Iraq in 2004 (Perlez 2006). China has even managed to ease out no less than the ADB in one very important project, the construction of Manila's new aqueduct, as it offered "cheaper rates, faster approval and fewer questions" (Naim 2007).⁹ The issue of competitive pricing apparently does not apply in the case of (the now mothballed) government plans to build a national broadband network (NBN) where a Chinese firm (ZTE), to be backed by a Chinese ODA loan, was favored by the DOTC over a local company despite the latter's supposedly lower price offer (Lucas 2007).¹⁰

⁹ Comparing China's aid packages with other donors, Socioeconomic Planning Secretary Neri "noted the appealing absence of the expensive consultant fees common to Western projects" (Perlez 2006).

¹⁰ Due to sensational and embarrassing exposés in Senate hearings of attempted bribery and various forms of influence peddling involving the Chair of the Commission on Elections, the Speaker of the House of Representatives, the President's husband, and President Macapagal-Arroyo herself, the National Broadband Project was cancelled by the government in September 2007.

Another controversial Chinese loan project is the US\$465.5 million cyber-education project of the Department of Education which aims to use satellite technology to electronically link schools nationwide (Ubac and Esplanada 2007). Critics have called the project an unnecessary expense given the more pressing problems of classroom and textbook shortages. They also aired concerns that the project “aims to replace teachers with satellite-beamed lessons, and force the use of English instruction instead of encouraging the use of local languages.”

As Japanese ODA to the Philippines continues its decline, China is poised to take over as the country's primary foreign aid source (Amojelar 2007). For 2007 alone, Chinese loans in terms of pledged funds and signed agreements, have reached US\$2.21 billion. Former Acting NEDA Director General Augusto Santos echoes the line that Chinese loans are more concessional and more affordable than either ADB or World Bank loans.

The China-Philippines Non-Agricultural Agreements include the following:

1. **Framework Agreement on the Establishment of an Economic Partnership Expanding and Deepening Bilateral Economic and Trade Cooperation between the Philippines and China.** The Framework Agreement gives priority to cooperation in the areas of agriculture, public works and infrastructure construction, housing construction, energy, tourism, and industrial parks and economic development zones. The agreement also aims to promote investment in the next 10 years.
2. **Memorandum of Understanding (MOU) between NEDA, DTI and MOFCOM on Establishing the Economic Cooperation Working Group (ECWG).** The MOU provides for the creation of a functional working group mechanism that will merge the Joint Working Group on Mining Cooperation and the Joint Working Group on Infrastructure Cooperation under the framework of the Philippine-China Joint Commission on Economic and Trade Cooperation (JCTEC). The ECWG will actively promote effective cooperation between the two countries in the areas identified in the Framework Agreement. It will also be responsible for developing cooperation modalities and confirming projects in the specified areas.

3. **Agreement on Economic and Technical Cooperation between the Philippines and China.** This Agreement covers a grant by the Chinese Government of 15 Million Renminbi to the Philippine Government, to be used for the formulation, promotion and implementation of projects to be discussed and agreed upon by the two Governments.
4. **Framework agreement on the provision of concessional loan by China to the Philippines.** Through the Export-Import Bank of China, the Chinese Government will provide a concessional loan not exceeding 800 Million Renminbi to the Philippine Government. This concessional loan will be used to implement projects to be agreed upon for the two Governments, particularly Phase 2 of the Non-Intrusive Container Inspection System Project.
5. **Memorandum of Agreement (MOA) on cooperation on industrial products safety.** This agreement aims to facilitate and promote bilateral trade by removing unreasonable technical barriers to trade and enhancing exchange of information, particularly technical regulations and standards on industrial products between the Philippines and China. It will ensure that imported and exported products of both countries conform to the requirements of safety, health and environmental protection and that the measures against deceptive practices and technical barriers are minimized. The signing of this MOA aims to further enhance bilateral trade particularly in the industrial sector.
6. **Agreement on the Protection of Cultural Heritage.** This agreement aims to strengthen cooperation and exchange in the field of cultural heritage protection and management. Under this agreement, both governments will take the necessary measures in accordance with their existing laws and national policies to coordinate their efforts in protecting and managing their cultural heritage.
7. **MOU regarding the loan agreements on the utilization of US\$500 million Preferential Buyer's Credit between the Department of Finance (DOF) and the Export and Import Bank of China, and the loan agreement on the provision of US\$500 million Preferential Buyer's Credit Loan for the Northrail Project Phase 1, Section 2.**

8. **Agreement between North Luzon Railways Corporation and China National Machinery Industry Corporation for the Northrail Project Phase 1, Section 2.**
9. **The Engineering Procurement and Construction Contract for the Rehabilitation and Upgrading of the Philippine Mainline of the South Luzon Railway Project Phase 1, Section 1.** This engineering, procurement and construction contract details the implementation by the Philippines National Railways and the China National Technical Import and Export Corporation as the Development Entities of Phase 1 of the Main Line South Railway Project. The project aims to rehabilitate and upgrade the 77.4-km section of the existing PNR railroad line from Calamba, Laguna to Lucena City, Quezon.
10. **The Agreement on the Prevention of Theft, Clandestine Excavation, Illicit Import and Export of Cultural Property.** This agreement aims to facilitate collaboration between both governments in adopting preventive, mandatory and remedial measures to combat unlawful and criminal practices contrary to the protection of cultural property, in accordance with their respective domestic laws.
11. **Concessional Loan Agreement on Non-Intrusive Container Inspection System Project, Phase 2.** The project, which involves the purchase, installation and operation of twenty (20) units of scanning equipment, will further sustain the container inspection modernization efforts initiated under the first phase. It generally aims to adopt a non-invasive detection technology for a faster and more reliable inspection of sealed cargoes and shipments, particularly for detecting anti-social goods like weapons, drugs and other contraband. Three (3) units each will be deployed in the South Harbor and the Manila International Container ports. Two (2) units will be deployed in the NAIA airport while one (1) mobile unit each will be deployed in the Cebu City, Subic, Clark, Batangas, San Fernando, Legaspi, Iloilo, Tacloban, Surigao, Cagayan de Oro, Zamboanga and Davao Ports.

12. MOU between the China Export and Credit Insurance Corporation and Philippine Government Agencies (NEDA, Department of Finance and Trade and Investment Development Corporation of the Philippines). The objective of this MOA is to explore and create more project opportunities for the benefit of the government and private sectors in order to contribute its share in carrying out and supporting the Framework Agreement.

The 18 China-Philippines Agricultural Agreements¹¹ that were signed during the visit of Premier Wen Jiabao included six agreements involving the Philippine government as an active implementing party. The other agreements are private in nature, with the private sector as implementers.

Agreements where the Philippine government agencies were the main signatories and active parties are aimed at advancing agriculture through exchange of information, technology transfer, exchange of visits and the like. In the event that the Chinese agencies or Chinese private sector entities wish to invest in RP agricultural lands, Philippine government agencies, will bring landowners and other concerned parties together and assist the parties in concluding their agreements.

¹¹ Early accounts have identified 19 agricultural agreements that “stipulate 1.24 million hectares of farmland will be reserved for the China agricultural deal” (Tadem 2007). Citing Gaylican (2007), Tadem also notes that the China-Philippines agricultural agreement could mean the entry of P10 billion in Chinese investments for bioethanol projects, and contracts for growing corn, rice, sorghum, cassava, and tropical fruits and coco fiber production for export to China.

TABLE 1. THE AGREEMENTS SIGNED INCLUDE THE FOLLOWING:

CHINA-PHILIPPINES AGRICULTURAL AGREEMENTS			
MOA Title	Brief Description/ Purpose	Philippine Signatory (G for Government, P for Private)	China Signatory (G for Government, P for Private)
1. Development of one million hectares of land for hybrid corn, hybrid rice and hybrid sorghum farming	<p>The project is for the development of one million hectares of land for hybrid corn, hybrid rice and hybrid sorghum production. For this project, Jilin Fuhua committed to bring in a total of RMB30 billion or an equivalent USD 3.84 billion into the Philippine agricultural sector with funds supplied by the China Development Bank within the next 5 to 7 years. For the year 2007, Jilin Fuhua pledged to complete the cultivation of 50,000 hectares of land for hybrid corn and sweet sorghum.</p> <p>The DA-DAR-DENR Convergence Initiative's role is to assist Jilin Fuhua in (a) identifying lands to be provided by DAR (thru ARCs), private lands and DENR lands; (b) link with interested land owners concerned, government offices and interested local partners</p>	<p>Department of Agriculture (G)</p> <p>Department of Environment and Natural Resources (G)</p> <p>Department of Agrarian Reform (G)</p>	<p>People's Government of Jilin (G)</p> <p>China Development Bank (G)</p> <p>Jilin Fuhua Agricultural Science and Technology Development Co. Ltd (P)</p>
2. Joint Development of Renewable Energy Project (40,000 hectares of land for sugarcane and cassava)	<p>The Agricultural Department of Guangxi Zhuang Autonomous Region has committed to invest in the development of 20,000 hectares of land for cassava and 20,000 hectares of land for sugarcane for eventual production and processing of fuel grade alcohol. Investment requirement for cassava had been estimated at P15,000 per hectare or \$6.2 million dollars for 20,000 hectares, while the investment requirement per hectare of sugarcane is at P53, 000 per hectare or \$21 million dollars for this project.</p> <p>The DA-DAR-DENR Convergence Initiative's role is to assist ADGZAR in (a) identifying lands to be provided by DAR (thru ARCs), private land and DENR lands; (b) linking with interested landowners concerned, government offices and interested local partners</p>	<p>Department of Agriculture (G)</p> <p>Department of Environment and Natural Resources (G)</p> <p>Department of Agrarian Reform (G)</p>	<p>The Agricultural Department of Guangxi Zhuang Autonomous Region</p>

3. Agreement on the Provision of a 5,000-square-meter space for Philippine tropical fruits in the Jiangnan Fruit and Vegetable Wholesale Market	The Jiangnan Fruit and Vegetable Wholesale Market committed to provide a 5,000 square meter space for Philippine fresh fruit and vegetable products. The Jiangnan market handles 70 to 80 percent of the wholesale trade in fresh fruits and vegetables in China. Philippine participation in this market shall increase the market access penetration capacity of Philippine products into the Chinese market. To see to it that this opportunity is maximized, the DA shall assist interested exporters to link up with import license holders operating in the Jiangnan market.	Department of Agriculture (G)	Guangzhou Jiangnan Fruit and Vegetable Wholesale Market Development Co. Ltd (joint G and P)
4. Joint venture agreement for the manufacture of bioethanol (B.M.SB)	This is a MOA for a joint venture in the production of bioethanol in Negros Occidental which is expected to bring in USD 35 million worth of capital into the Philippines. This project should have begun in 2007 to be completed in 18 to 24 months thereafter	B.M.SB Integrated Biofuels Company (P)	Nanning Yongkai Industry Group (P)
5. Joint venture Agreement for the Manufacture of Bioethanol (Negros Southern)	This is a MOA for a joint venture in the production of bioethanol in Negros Occidental which is expected to bring in 35 million USD worth of capital into the Philippines. This project should have begun in 2007 and be completed in 18 to 24 months thereafter	Negros Southern Integrated Biofuels Company (P)	Nanning Yongkai Industry Group (P)
6. Joint venture agreement for the establishment of a 150,000 liter per day capacity bioethanol plant	This is a MOA for a joint venture to establish a bioethanol plant with a capacity of at least 150,000 liters per day in Sta. Maria, Piat, Cagayan Valley. This project should have begun in 2007 to be completed in 18 to 24 months thereafter. Expected investment requirement amounts to US \$35 million.	One Cagayan Resource Development Inc. (P)	Nanning Yongkai Industry Group (P) China CAMC Engineering Co. Ltd. (P)
7. Agreement for the establishment of a 150,000 liter per day capacity bioethanol plant in Palawan	This is a MOA for a joint venture to establish a bioethanol plant with a capacity of at least 150,000 liters per day in Northern Palawan	Palawan Bioenergy Development Corporation (P)	China CAMC Engineering Co. Ltd (G)

8. Breeding and culture of grouper and other high value species	This is a joint venture agreement between the Philippine China Fisheries Consortium Inc. and the Xunshan Group Co. Ltd. for breeding and culture of abalone, sea cucumbers, sea urchins and scallops. This venture is expected to bring in around P25 million into the industry	Philippine China Fisheries Consortium Inc. (P)	Xunshan Group Co. Ltd. (P)
9. Establishment of a 35-hectare demonstration farm for sweet corn	This MOA is for the establishment of a 35 hectare technology demonstration farm in Barangay Mawaque, Mabalacat, Pampanga for the development of sweet corn, vegetables and crops as well as tissue culture in the Philippines. The 35 hectare farm has been provided by the Federation of Filipino Chinese Chamber of Commerce and Industry	Department of Agriculture (DA)	Guangdong Academy of Agricultural Sciences (G)
10. Joint venture agreement on fisheries	This is a joint venture project between the Philippine Marine Technology Group and Shandong Gaolu Co. to engage in all aspects of aquaculture and processing of various fish species, mollusks, seaweeds and other marine products. This is estimated to bring in P15 million worth of investments	Philippine Marine Technology Group (P)	Shandong Gaolu Co. Ltd (P)
11. Breeding and culture of abalone, sea cucumbers, sea urchins and scallops	This is a joint venture agreement for the various fisheries activities such as breeding, culture, and transport of fish trade along the maniculture highway between Sun Warm Co. and Guangdong Guangyuan Ltd. This is expected to bring in P20 million in investments.	Sun Warm Tuna Fishing Corp. (P)	Guangdong Guangyuan Fishery Group Co. Ltd. (P)
12. Candaba water resource project	This MOA between the MWSS and China CAMC Engineering Company is to develop the Candaba Swamp as a source of potable water and water for irrigation	Metropolitan Waterworks and Sewerage System (G)	China CAMC Engineering Co. Ltd (G)

*Note: The implementation of all farm deals had been suspended due to public clamor.

13. Memorandum of Agreement on cooperation by and between the Guangdong Fishery Administration (GDOFA) and the Bureau of Fisheries and Aquatic Resources (BFAR)	This is an agreement between BFAR and GDOFA to engage in technical cooperation in the development of agreed sea areas. To this effect, the Sino-Filipino Fishery Cooperation Pilot Zone shall be established within the year to implement the project, including the set up of eight units of net cages in the agreed areas. The project will initially start in Region 8 and expand to other regions as agreed by both parties	Bureau of Fisheries and Aquatic Resources (G)	Guangdong Ocean and Fishery Administration (G)
14. Supply MOA with Zongbao Fiber Limited*	The DA signed an agreement with Zongbao for assistance in finding producers of coco coir that would supply their demand for 100,000 MT of coco coir fiber in 2007.	Department of Agriculture (G)	Zongbao Fiber Limited
15. Provision of small mobile ice plant and transport facilities to municipal fishery cooperatives and associations	This MOA between the DA and the China CAMC Engineering Company is for the provision of stationary and mobile ice plants, ice storage facilities, refrigerated vans, cold storages and other similar facilities that are crucial links of the cold-chain. This project forms a crucial part of the DA-BFAR's efforts to establish mariculture parks and fish cages.	Department of Agriculture (G)	China CAMC Engineering Co. Ltd (G)
16. Construction of Shipyard, Establishment of a Cold Storage Facility and Upgrading/ Rehabilitation of Certain Facilities at the Navotas Fish Port Complex	This MOA between the DA and the China CAMC Engineering Company is for the (1) construction of a shipyard in support of commercial fisheries (2) establishment of a cold storage facility for marine and agricultural products, and (3) rehabilitation and upgrading of the Navotas Fish Port facilities.	Department of Agriculture (G)	China CAMC Engineering Co. Ltd (G)

17. Expanding and deepening agriculture and fisheries cooperation	As an affirmation of the MOA on Agriculture and Fisheries Cooperation signed in 1999, the Philippines' Department of Agriculture signed a MOA with China's Ministry of Agriculture to expand and deepen the scope of cooperation between the two agencies. The MOA has been expanded to include cooperation in food security, job creation and poverty alleviation. It has also been broadened to include cooperation on the areas of biotechnology, biofuels, agri-tourism, post harvest development and handling, food processing and marketing technologies	Department of Agriculture (G)	Ministry of Agriculture (G)
18. Agreement between the Department of Agriculture of the Republic of the Philippines and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China in the sanitary and phytosanitary measures	The MOU on SPS Cooperation between the Department of Agriculture and the General Administration of Quality Supervision, Inspection and Quarantine recognizes the growing importance that SPS measures play in protecting the health and life of plants, animals and humans amidst increasing global trade. The broadening and deepening of cooperation between the Philippines and China on SPS is particularly important as China has become the third largest trading partner of the Philippines	Department of Agriculture (G)	General Administration of Quality Supervision, Inspection and Quarantine (G)

Source: DA China Trade Desk, 21 August 2007 (RP-China Agricultural Agreements, Separating Facts from Fiction)

* Note: Early accounts, which include 19 agreements, does not include this particular agreement. According to IDEALS, other agreements include (a) the MOA with E.L. Enterprises Inc. establishing a US\$ 120 million agro-industrial project with all-weather greenhouses for the production and export of quality flowers and off-season vegetables and fruits to Japan, Hong Kong and Taiwan; and (b) Beidahuang projects involving the development of 200,000 hectares of land in the North Luzon Agribusiness Quadrangle (NLAQ); identification of potential sites for agri-tourism and organic food growing; setting up of a modern farm production facility; and the establishment of a bio-chemical facility.

NEDA reports that on January 16, 2007, the Philippine government represented by then Socio-economic Planning Secretary and NEDA Director General Romulo L. Neri also signed an economic partnership agreement with the People's Republic of China. Some of the framework agreements signed include the Framework Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation which formalizes the two countries' pact to engage in economic and trade cooperation, particularly in agriculture, fishery, public works and infrastructure, housing, mineral resource development, and energy among others.

There are seven projects covered by the agreements but only three of these were included in the signed agreements (See Table 2). These three are the Northrail Project, Phase 1, Section 2 (Malolos-Clark), Main Line South Railway Project Phase I [Calamba-Lucena] and the Non-Intrusive Container Inspection System Project Phase 2 (BOC). The remaining four projects in the pipeline are the Laiban Dam Project, Metro Manila Skyway Project Stages 2 (Bicutan-Alabang) and 3 (Makati-Balintawak), Angat Water Utilization and Aqueduct Improvement Project (AWUAIP), Phase II and the Laoag International Airport Expansion Project.

TABLE 2. SEVEN PROJECTS COVERED BY THE AGREEMENTS.

<p>1. Laiban Dam Project (MWSS). <i>Total Cost –US\$1 billion.</i> This involves the construction and installation of a concrete dam, intake structures, hydropower plant as well as other structures that will supply an estimated volume of 1,900 million liters per day (MLD) of raw water and 30 Megawatts of power supply.</p>
<p>2. Northrail Project, Phase 1, Section 2 (NLRC). <i>Total Cost – US\$673.67 million.</i> The project aims to provide efficient transport service between Metro Manila and Central Luzon through the extension of the Northrail from Malolos to Clark covering 48km.</p>
<p>3. Metro Manila Skyway Stages 2 Project (Bicutan-Alabang) and 3 (Makati-Balintawak) (NDC). <i>Total Cost – US\$633.54 million.</i> This involves the construction of an elevated expressway that will link South Luzon Expressway and the North Luzon Expressway from Bicutan to Alabang (6.88 km), and Buendia to Balintawak (17.5 km).</p>
<p>4. Main Line South Railway Project Phase I [Calamba-Lucena] (PNR). <i>Total Cost – US\$314.8 million.</i> This involves the rehabilitation and upgrading of the 77.4- km section of railroad line from Calamba to Lucena City.</p>

5. Non-Intrusive Container Inspection System Project Phase 2 (BOC). *Total Cost – US\$115million.* This involves the purchase, installation and operation of 20 mobile X-ray machines to cover all major international container ports and airports targeted for container inspection modernization.

6. Angat Water Utilization and Aqueduct Improvement Project (AWUAIP), Phase II (MWSS). *Total Cost – US\$63.85 million.* This involves the construction of an 11.5 km new aqueduct which is intended to secure the existing raw water supply for Metro Manila.

7. Laoag International Airport Expansion Project (DOTC). *Total Cost – TBD.* The project involves the upgrading and modernization of the existing airport's passenger terminal building, extension of runway, taxiways and apron, and safety provisions, in accordance with the international safety and capability standards set by the ICAO.

BOX 1: THE NORTHRAIL PROJECT, PHASE I, SECTION 2 (MALOLOS-CLARK)

The Northrail Project, Phase I, Section 2 involves the completion of Phase I connecting Caloocan and Clark. This will cover 48 km of double narrow-gauged rail track plying the towns of Malolos and Calumpit in Bulacan, Apalit, Minalin, and Sto. Tomas, San Fernando, Angeles and Clarkfield in Pampanga.

The major components of the project includes civil and track works, signaling, communications and ticketing systems, procurement of rolling stock and right of way acquisition. The estimated cost of the project amounts to USD673.67 million, excluding taxes.

TABLE 3. NORTHRAIL PROJEC COST BREAKDOWN.

PROJECT COST BREAKDOWN (based on Dec 2005 prices)	
Component	Cost (in million USD)
Civil and Track Works	309.49
Right-of-Way	16.29
Signaling/Communications/Ticketing System	29.72
Rolling Stock (41 train sets)	231.40
Project Management Support Team (PMST)	11.73
Financing Charges (Interest During Construction)	51.08
Others (Price Contingency)	23.95
TOTAL	673.66

Source: NEDA Website

BOX 2: THE MAIN LINE SOUTH RAILWAY PROJECT PHASE I (CALAMBA-LUCENA)

The Southrail is envisioned to be integrated to the Northrail. The Mainline South Railway Project Phase I is part of the existing 500-km Philippine National Railways (PNR) Mainline South Railway from Caloocan in Manila to Legazpi City in Bicol and the proposed 112-km new line extension to Sorsogon.

The project aims to provide additional public transport capacity along the Manila to the Bicol corridor. This involves the rehabilitation and upgrading of the 77.4-km section of railroad line from Calamba to Lucena City.

TABLE 4. MAIN LINE SOUTH RAILWAY TOTAL PROJECT COST

Cost Item	Forex	Local	Taxes	Total
Civil Works	5,058,546	4,055,952	1,245,496	10,359,994
Rolling Stock	1,302,117	0	195,318	1,497,434
Signaling and Communications	300,049	70,382	53,453	423,884
Detailed Design	328,122	218,748	65,624	612,494
Supervision	364,580	546,870	109,374	1,020,824
Physical Contingencies	542,313	460,282	120,113	1,122,906
ROW Acquisition	0	136,242	0	136,242
Project Administration	0	132,102	0	132,102
Financing Charges	748,841	0	0	748,841
TOTAL (Php '000)	8,644,568	5,620,577	1,789,577	16,054,722
TOTAL (USD '000)	169,501	110,207	35,090	314,798

Source: NEDA Website

BOX 3: THE NON-INTRUSIVE CONTAINER INSPECTION SYSTEM (CIS) PROJECT

Chapter 7 of the Medium-Term Philippine Development Plan (MTPDP) 2004-2010 stated that for the Bureau of Customs (BOC), "measures will be geared towards controlling smuggling." Hence, the CIS units are being acquired by the BOC to adopt a non-intrusive detection technology to allow the speedy examination and more reliable examination and inspection of sealed cargo and shipments, especially for detecting antisocial goods such as guns and prohibited substances. In line with this, 20 mobile X-ray units will be purchased and installed to ensure that there is at least one CIS unit in each of the identified location.

Three units each will be deployed in the South Harbor and the Manila International Container Ports. Two units will be deployed in the NAIA Airport while one mobile unit each will be deployed in Cebu City, Subic, Batangas, San Fernando, Legaspi, Iloilo, Tacloban, Surigao, Cagayan de Oro, Zamboanga, Davao, and Subic and Clark Ports. Total investment requirement is Php5.98 billion or USD115 million at USD1:Php52 exchange rate assumption.

Status

To date, China has given the Philippines \$1.1 billion worth of concessional and preferential buyers' credit to implement the Northrail Projects, Phase I, Section 1 (\$400 million), Section I, Phase 2 (\$ 500 million); the Non-Intrusive Container Inspection System Phase I and II (\$ 150 million); the Banaoang Pump Irrigation Project (\$ 25 million); and the General Santos Fishport Complex Expansion/Improvement Project (\$35 million).

TABLE 5. 16TH ODA PORTFOLIO REVIEW/ LIST OF ACTIVE PROGRAMS/ PROJECTS

Loan ID	Loan Title	Implementing Agency	Loan Effectivity Date	Loan Closing Date	Loan Amount	Cumulative Cancellation	Net Loan Amount
CHI-5	Northrail Project Phase I, Section II	NLRC			500.00	0.00	500
BLA-04055	NorthRail Project Phase 1 Section 1	NLRC	9/13/04	9/13/09	400.00	0.00	400
CHI-1	Banaoang Pump Irrigation Project	NIA	6/27/02	6/27/08	35.00	0.00	35
CHI-2	General Santos Fishing Port Complex Expansion/Improvement Project	DA	3/15/03	3/15/09	24.99	0.00	24.985
CHI-3	Non-Intrusive Container Inspection System Project	BOC	6/20/06	3/16/10	50.00	0.00	50
CHI-4	Non-Intrusive Container Inspection System Project II	BOC	3/16/07	3/16/10	100.00	0.00	100

China has also pledged to provide \$ 900 million more worth of financing facility. The projects which will be funded by this loan facility have not been identified. There are, however, projects already in the pipeline for financing by China, including the Mainline South Railway Project Phase I, the Low Cost Housing Project and the Angat Water Utilization and Aqueduct Improvement Project Phase II.

CRITICISMS, ISSUES AND CONCERNS REGARDING CHINA'S DEVELOPMENT ASSISTANCE

The Philippine experience with Chinese development assistance has been hounded by controversies. This is not unique in the country's setting. In fact, the several issues and concerns that have been raised with respect to Chinese-funded projects in the Philippines corroborate the general observations and criticisms over the nature and characteristics of Chinese development aid.

Bloated project cost; lack of competitive bidding. Chinese ODA agreements, especially pertaining to the Northrail Project, have been criticized as being grossly disadvantageous to the Philippine government (Rufo and Bagayaua 2007). The average cost per kilometer would be almost US\$16 million (around P900 million) per kilometer, not considering the costs for clearing, relocation, and resettlement of 200,000 informal dwellers presently occupying the railroad's right of way.¹² The Philippine Center for Investigative Journalism (PCIJ) says that "this would make it the biggest — and costliest — resettlement project ever undertaken by the Philippine government"; quoting a former Philippine railway official who said that "the resettlement expenses were deliberately hidden so these would not reflect on the overall, already bloated, project cost" (Pabico 2005).

Furthermore, the interest rate of three (3) percent per annum for 20 years (with a five year grace period) makes the loan more expensive to service than loan agreements with other potential donors. The North Luzon Railways Corporation (NLRC) of the China National Machinery and Equipment Corporation group (CNMEC) was designated as the project's primary contractor without the benefit of a competitive public bidding. This was also seen as violating Philippine laws.

Given these onerous terms, a study by the University of the Philippines Law Center "recommended the cancellation of the contract" and "if warranted, criminal, civil and/or administrative cases should be filed against the concerned public officials and private individuals." Based on this UP Law Center report and other testimonies during public hearings, the Philippine

¹² For the relocation and resettlement of an initial 40,000 informal dwellers in the Bulacan segment alone of the North Rail project, the Housing and Urban Development Coordinating Council (HUDCC) estimates an additional cost of P-6.6 billion (Pabico 2005). The National Housing Authority (NHA), on the other hand, the lead agency for implementing the resettlement program, has earmarked only P1.6 billion for relocation and resettlement of the project.

Senate concluded that the project was full of irregularities and should be abandoned.¹³ As of November 2007, the case was pending at the Supreme Court.

Giving the Chinese access to natural resources. IDEALS criticized the China-Philippines agreements for promoting Chinese interests at the expense of Philippine interests. It cites the Constitutional provision on international relations which says that the Philippine government must uphold the national interest in relating to other states. The Philippine government must also pursue a trade policy that serves the general welfare and utilizes all forms and arrangements of exchange on the basis of equality and reciprocity. However, IDEALS believes that the RP-China Agreements prioritize the interests of Chinese nationals over those of Filipinos as it encourages Chinese corporations to cultivate large tracts of Philippine land for agribusiness ventures, prejudicing Filipino farmers who have yet to fully realize the promises made to them under the ongoing agrarian reform program. The RP-China agreements also give Chinese nationals access to Philippine marine resources, contrary to the express Constitutional provision that such marine resources are to be reserved exclusively for Filipinos. Furthermore, the RP-China loan and technical cooperation agreements increase the debt burden of the country for dubious projects the benefits of which are highly questionable.

Philippine peasant organizations and agrarian-support NGOs are not happy with China's aggressive push into the Philippine economy. In a full-page advertisement on the *Philippine Daily Inquirer* on February 12, 2007, the groups demanded that the 19 agricultural agreements with China be cancelled because they were "tantamount to selling off (the) national patrimony" and "violate the agrarian reform law and reverse attempts at attaining food security through self-sufficiency in production" (PDI Feb. 12, 2007). The groups also questioned where the 1.24 million hectares would be obtained given that "there are no longer any idle alienable and disposable land" in the country.

¹³ The irregularities related to the North Rail project were included in the list of charges in the impeachment complaint filed by opposition legislators against President Gloria Macapagal-Arroyo in 2005.

Under the Philippine Constitution, private corporations or associations may not hold alienable lands of the public domain except by lease, for a period not exceeding twenty-five years, renewable for not more than twenty-five years, and not to exceed one thousand hectares in area. Moreover, the disposition and utilization of natural resources, including lands of the public domain, are subject to the agrarian reform program of the government, as provided for in the Constitution and the Comprehensive Agrarian Reform Law. However, a good number of the RP-China Agreements allow Chinese nationals to lease huge tracts of Philippine lands, in excess of the limits imposed by the Constitution. Moreover, this is tantamount to repudiation by the Philippine government of its duty to implement full agrarian reform as mandated under the Constitution. Even assuming that the Government will get these lands from idle lands, it will still violate the Constitutional mandate to expropriate idle lands for distribution to the beneficiaries of the agrarian reform program.

Lack of transparency: IDEALS scored the lack of transparency and people's participation. Under the Philippine Constitution, the people and their organizations have the right to participate effectively and reasonably at all levels of social, political, and economic decision-making. It appears however that the RP-China Agreements were negotiated and entered into without prior consultation and participation of the sectors which stand to be directly affected by these pacts. Moreover, the documents and papers pertaining to the RP-China Agreements have not been made available to the public, in violation of the Constitutional State policy requiring full public disclosure on all matters affecting the public interest, as well as the Constitutional right of the people to access information on matters of public concern. Also, a number of the RP-China agreements pertain to foreign loans of significant amounts. However, the Philippine government did not give information on these loan agreements, in violation of the people's right to be informed of foreign loans obtained or guaranteed by the Government.

The lack of clarity and transparency is also evident on the side of the Chinese government. "The total amount of concessional loans and grants provided by China is not reported in a comprehensive manner and estimates vary considerably" (World Bank 2007).

"Chinese officials will tell you that the volume of their aid is a state secret," (Lancaster (2007)). "They justify this lack of transparency by arguing that if they published how much aid they were providing, including those received by individual governments, they would soon find themselves under unwelcome

pressure from many of those governments for more aid to keep up with the largest recipients" (Lancaster 2007).¹⁴ Another reason "for not publishing the total volume of Chinese aid," according to Lancaster (2007), is that "doing so could provoke quite a lot of domestic criticism of the government." For instance, the people might ask: "We still have a lot of poverty in China so why are we providing aid to other countries some of whom are richer than China itself?" (Lancaster 2007).

Another analyst explained that: "As business is often operated on a barter basis, financial transparency is difficult to establish. Take the *Angola Mode*, where funds are not directly lent to the recipient country, but the Chinese government will mandate a Chinese construction company (that usually receives support credit from China Exim) to undertake the construction work after the approval of the recipient country. Then, in exchange for the infrastructure provision, the borrowing government will give to a Chinese company operating in the field of natural resources (mostly oil or minerals) the right to mine natural resources through acquisition of equity stakes in a national oil company or through acquiring licenses for production" (Reisen 2007).

Environmental risks. IDEALS also cited potential damage to the environment brought about by the RP-China Agreements. A number of the RP-China Agreements aims to establish and develop bio-ethanol plants in the country. Even though these agreements are supposed to be anchored on the Biofuels Act, this law did not provide proper safeguards for regulating the establishment of biofuel plants. The RP-China Agreements on aquaculture seem to promote massive and unregulated aquaculture, which has been proven detrimental to the environment. While these agreements are supposed to comply with the Fisheries Code, the problem is that the Fisheries Code does not provide for the regulation of aquaculture. Neither does it specify what acts are prohibited. The Code of Practice for Aquaculture - Fisheries Administrative Order No. 214, series of 2001 - does not provide proper safeguards on how aquaculture should be practiced.

¹⁴ According to Lancaster (2007), "there appear to be several other reasons why they are reluctant to provide an accounting of their annual volume of aid: First, they do not know themselves how large it is. Chinese aid is managed mainly by the Ministry of Commerce (MOFCOM). It is quite possible that they do not yet keep data on the assistance they provide, in the way Official Development Assistance (ODA) is defined by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development—data that would be essential for comparing China's aid effort with other aid-giving countries." Their aid is often part of a larger package of investments and trade deals with recipient governments and they simply may not be separating their ODA out from export promotion and investment expenditures at this point. Further, they are reportedly still deciding how to price Chinese labor which is often used to build the infrastructure or turn key operations in recipient countries and so, is part of the cost of their aid."

No regard to sustainability. Contrary to pronouncements in the RP-China agreements that the Philippines has extensive marine and inland resources, our fishery resources are no longer as rich as they used to be. Fisheries experts have been documenting an alarming decline in Philippine fisheries resources caused by the widespread destruction of the coastal environment, wanton conversion of mangroves into fishponds, illegal fishing practices, overfishing, and poaching of foreign fishers in Philippine waters. The RP-China Agreements that give Chinese nationals access to Philippine marine resources violate the Constitutional mandate to reserve marine resources for the use of Filipinos. Inevitably, they will also lead to overfishing and coastal resource depletion, and pose problems for Philippine food security. This contravenes Fisheries Code stating that “food security shall be the overriding consideration in the utilization, management, development conservation and protection of fishery resources in order to provide the food needs of the population.

Tied Aid. A “substantial component of China’s aid is tied; distorting the value of the aid it is giving” (Hanson June 2008). Chinese development assistance projects are mostly of a “turnkey” nature (i.e., Chinese companies who win a tender bring their own specialists, labor and equipment—providing planning, finance, manpower and training to implement projects completely—as China prides itself on short project preparation and implementation periods compared to traditional donors (Kharas 2007). The disadvantage of this approach, according to Kharas (2007), is that it typically comes as “tied aid” without the benefits of international competitive bidding.¹⁵

“Crossing the River by Feeling the Stones”

The Chinese aid system is still in its formative years, and thus not yet well established. It still lacks strategic country planning and “management for results” framework (Lancaster 2007); and a formal system for determining development goals and allocating aid (CRS April 2008). Aid management is still fragmented as shown by the lack of evaluation of outcomes and the impact of Chinese aid (Lancaster 2007).¹⁶

¹⁵ Chinese aid is largely tied (up to 70%) to imports from China and services to be delivered by Chinese companies (Schmitt October 2007)

¹⁶ Interestingly, “the Chinese government cares about the reputation of Chinese companies carrying out projects overseas. If a company is found lacking, it is stripped of its contract, repatriated and faces having its domestic trading license revoked” (Kassenova 2009).

The Chinese government does not have an official definition of what constitutes development aid. Neither does it have a definite body in charge of development assistance. It does not publish reports providing consolidated information on foreign aid. Chinese officials are generally unwilling to discuss both the geographic and sectoral distribution of disbursements (Kassenova 2009)

The national objectives of China's foreign aid program however, do not significantly differ from those of the traditional donors: (a) to further secure and strengthen the country's national interest; (b) to expand the country's influence; (c) to expand international markets and obtain natural resources; and to some extent, (d) to promote national pride and unification. It goes without saying that China's aid giving spree in Asia is hinged on China's desire for "a stable regional environment that will allow China to concentrate on its own economic development" (Glosny 2006).

In this context, China's propensity to extend development assistance could only gear up. As one analyst has projected: "Given the fact, that China has accumulated 1.3 trillion US\$ in foreign currency reserves and has started looking out for productive and politically fruitful investments, we can assume that China's development cooperation will continue to rise. In the future, China will be in funds of an excess stock of 2 billion US\$ every day" (Schmitt October 2007).¹⁷

Notwithstanding the issues and controversies, it may be worth remembering that the type of development assistance that China extends is merely a response to "requests from recipient countries", as noted by Chinese officials (Chin and Frolic 2007). Thus, as a re-emerging donor, China is getting increasingly interested and involved in international anti-poverty programs (including participation in multilateral channels), humanitarian assistance, and South-South dialogue and cooperation.

¹⁷ As of June 2009, China's Foreign Exchange Reserves stand at US\$2.13 trillion.

CONCLUSION

The Philippines' long experience as an aid recipient from developed countries had been quite long and extensive. The Philippine government had been criticized time and again for its views, attitude, approach and methods in acquiring or negotiating development assistance from other countries. The negative historical impact of aid in the Philippines, and in other developing countries which stems basically from the failure to balance the interests of the donor countries with the interests of the recipient countries is too serious, to be blatantly ignored. While it may be understandable therefore for China to consider first and foremost, Chinese interests in any negotiations, the historical lessons learned from years of development cooperation between developed and developing countries are important and urgent matters to consider. China needs to be more cognizant and sensitive to issues and concerns of developing countries.

On the other hand, China's current presence as a new player in development cooperation may also offer new opportunities for developing countries like the Philippines. China needs to dispose of surplus funds for economic and political purposes. And while China ensures that its development aid and cooperation would promote its interests, developing countries like the Philippines, must also ensure that the processes and conditionality of these loans would redound to its utmost advantage and benefit.

The current dynamics might offer an opportunity for civil society engagement at various levels (i.e., national, regional, and international). First and foremost, civil society in recipient countries must take their own government to task and ensure that the peoples' interests in recipient countries matter in these negotiations. On the other hand, civil society engagements in various national and international forums can be utilized to lobby for a more transparent, more responsive, more improved, more accountable, more responsible Chinese development assistance.

It may still be premature however, to tell whether there is actually a policy space available for critical and strategic civil society engagement with respect to China's development assistance program to the Philippines as well as other developing countries. But venues for such engagement must be creatively carved and opened up. Otherwise we may just be repeating the errors of history.

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ANNEXES

ANNEX 1: PROFILE OF CHINA-PHILIPPINES RELATIONS

Diplomatic Relations with RP	09 June 1975
Bilateral Consultative Mechanisms	Foreign Ministry Consultations, Defense and Security Dialogue, Consular Consultations, Joint Trade Committee
Bilateral Trade (as of 2006)	US\$ 8.2 billion (RP figures) US\$ 23.4 billion (Chinese figures)
Balance of Trade (as of 2006)	US\$ 945 million in RP's favor (RP figures) US\$ 11.93 billion in RP's favor (Chinese figures)
Target Level of Trade by 2010	US\$ 30.0 billion
RP major exports	Semi-conductor devices & components; automatic data processing machines; copper products; petroleum, naptha; bananas; articles of alloy steel; fuel oils
RP major imports	Semi-conductor devices & components; telephonic and telegraphic apparatus; gasoline; articles of iron and steel cellular phones; electrical and electronic machinery; plastics; manufactured tobacco
Foreign Direct Investments (FDI)	US\$ 63 billion (up 5%)
Tourist Arrivals	122,080 (January – November 2007)
ODA (loans)	US\$ 1.1 billion (as of December 2007) US\$ 900 million pledge as financing facility (no allotted projects yet and no loan agreement concluded)
Recent State and Official Visits	2007 January 15-16 Official Visit to the Philippines of Premier Wen Jiabao 2007 April 21 Visit to China of President Gloria Macapagal-Arroyo (to keynote Bao Forum for Asia Annual Conference 2007) 2007 June 6-7 Visit to Chengdu and Chongqing of President Gloria Macapagal Arroyo 2007 June 17-19 Visit of Secretary Alberto G. Romulo to China 2007 October 2-3 Visit to Shanghai of President Gloria Macapagal-Arroyo

CONTINUATION ANNEX 1: PROFILE OF CHINA-PHILIPPINES RELATIONS

Key Bilateral Issues	South China Sea, One-China Policy
Major Cooperative Initiatives	RP-China Framework Agreement on Economic Partnership; RP-China Defense Cooperation
Major Infrastructure Projects in RP	<p>China is emerging as an important development partner of the Philippines in light of significant development assistance loans provided by China for big-ticket, high impact projects. To date, China has given the Philippines US\$.1 billion worth of concessional and preferential buyers, credit to implement the Northrail Projects, Phase I Section I (US\$400 million), Section I, Phase 2 (US\$500 million); the Non-Intrusive Container Inspection System Phases I and II (US\$150 million); the Banaoang Pump Irrigation Project (US\$25 million); and the General Santos Fishport Complex Expansion/Improvement Project (US\$35 million).</p> <p>Lately, China has also pledged the provision of US\$900 million more worth of financing. The projects which will be funded by this facility have not been identified. There are however projects already pipelined for financing by China such as the Mainline South Railway Project Phase I, the Low-Cost Housing Project and the Angat Water Utilization and Aqueduct Improvement Project Phase II. The individual loan agreements for the projects to be funded under said facility shall still be subjected to usual government approvals and procedures.</p>

Source: Office of Asia and Pacific Affairs, Department of Foreign Affairs

**ANNEX 2: LIST OF PHILIPPINES-CHINA BILATERAL AGREEMENTS
1975-2007**

Political	1. Joint Communiqué of the Government of the Philippines and the Government of the People's Republic of China. Signed in Beijing on 09 June 1975.
	2. Joint Statement between the Government of the Republic of the Philippines and the Government of the People's Republic of China on the Framework of Bilateral Cooperation in the Twenty-First Century. Signed in Beijing on 16 May 2000.
	3. Memorandum of Understanding between the Philippine Council of Young Political Leaders (PCYPL) Foundation, Inc. and Chinese Association for International Understanding (CAFIU). Signed in Beijing on 5 July 2005.
Defense	4. Agreement Between the Department of National Defense of the Republic of the Philippines and the Ministry of National Defense of the People's Republic of China on the Establishment of the Offices of the Defense and Armed Forces Attachés. Signed in Beijing on 29 July 1996.
	5. Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China on the Utilization of the Military Engineering Equipment Assistance Loan Provided by China to the Philippines. Signed in Beijing on 29 July 1996.
	6. Memorandum of Understanding on Defense Cooperation between the Department of National Defense of the Republic of the Philippines and the Ministry of National Defense of the People's Republic of China. Signed in Beijing on 8 November 2004.
	7. Agreement between the Department of National Defense of the Republic of the Philippines and the Ministry of National Defense of the People's Republic of China on China's Provision of Military Aid Gratis to the Philippines. Signed in Beijing on 8 November 2004.
	8. Agreement between the Department of National Defense of the Republic of the Philippines and the Ministry of National Defense of the People's Republic of China on China's Provision of Military Aid Gratis to the Philippines. Signed in Beijing on 10 October 2006.

Transnational Crimes	9. Memorandum of Understanding between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Cooperation against Illicit Traffic and Abuse of Narcotic Drugs, Psychotropic Substances and Precursor Chemicals. Signed in Beijing in October 2001.
	10. Memorandum of Understanding between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Cooperation in Combating Transnational Crime. Signed in Beijing in October 2001.
Judicial	11. Agreement on Cooperation Between the National Prosecution Service of the Department of Justice of the Republic of the Philippines and the Supreme People's Procuratorate of the People's Republic of China. Signed in Beijing in October 2000.
	12. Treaty on Extradition between the Republic of the Philippines and the People's Republic of China. Signed on 30 October 2001.
Energy Cooperation	13. Letter of Intent between the Philippine National Oil CO. Exploration Corp. and the China National Offshore Oil Corp. (CNOOC). 10 November 2003.
	14. An Agreement for Joint Marine Seismic Undertaking on Certain Areas in the South China Sea By and Between Philippine National Oil Company and China National Offshore Oil Corporation. Signed in Beijing on 1 September 2004.
	15. An Agreement for Joint Marine Seismic Survey in certain areas in the South China Sea by the Philippine National Oil Company (PNOC), the China National Offshore Oil Company (CNOOC), and the Vietnam Oil and Gas Corporation (PETROVIETNAM). Signed on 14 March 2005.
Trade/ Investments/ Finance	16. Trade Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Beijing on 09 June 1975.
	17. Agreement on Long-Term Trade between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Beijing on 08 July 1979.

	18. Agreement between the Republic of the Philippines and People's Republic of China Concerning the Encouragement and Reciprocal Protection of Investments. Signed in Manila, 20 July 1992.
	19. Agreement Between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. Signed in Beijing on 18 November 1999.
	20. Memorandum of Understanding between Bangko Sentral ng Pilipinas and the People's Bank of China on the establishment of Banking Institutions in each other's territories. Signed on 17 May 2000.
	21. Cooperation Agreement between the Philippine Chamber of Commerce and Industry (PCCI) and China Council for the Promotion of International Trade (CCPIT). Signed in October 2001.
	22. Bilateral Swap Agreement between the Bangko Sentral ng Pilipinas and the People's Bank of China. Signed in Manila on 30 August 2003.
	23. Memorandum of Understanding on Mining Cooperation between the Department of Trade and Industry (DTI) and China's Ministry of Commerce (MOFCOM). Signed in 18 January 2005.
	24. Memorandum of Understanding between the Government of the Philippines and the Government of the People's Republic of China on the Promotion of Trade and Investment Cooperation. Signed in Manila on 27 April 2005.
	25. Agreement on Economic and Technical Cooperation between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Manila on 27 April 2005.
	26. Memorandum of Understanding between the Government of the Republic of the Philippines and the Government of the People's Republic of China on the Early Harvest Program under the Framework Agreement on Comprehensive Economic Cooperation between the Association of South East Asian Nations and the People's Republic of China. Signed in Manila on 27 April 2005.

	27. Framework Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Provision of Concessional Loan by China to the Philippines. Signed in Manila on 27 April 2005.
	28. Framework Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Manila on 15 January 2007.
	29. Memorandum of Understanding between the National Economic and Development Authority and the Department of Trade and Industry of the Republic of the Philippines and the Ministry of Commerce of the People's Republic of China on Establishing the Economic Working Group. Signed in Manila on 15 January 2007.
	30. Memorandum of Understanding between China Export & Credit Insurance Corporation and Philippine Government Agencies. Signed in Manila on 15 January 2007.
	31. Agreement on Economic and Technical Cooperation between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Manila on 15 January 2007.
	32. Framework Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Provision of Concessional Loan by China to the Philippines. Signed in Manila on 15 January 2007.
	33. Memorandum of Understanding between the Department of Trade and Industry of the Republic of the Philippines and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China on Cooperation on Industrial Products Safety and TBT Measures. Signed in Manila on 15 January 2007.

	34. Memorandum of Understanding regarding the Utilization of US\$500 million Preferential Buyer's Credit Between the Department of Finance of the Republic of the Philippines and the Export and Import Bank of China. Signed in Manila on 15 January 2007.
Agriculture	35. Agreement on the Cooperation in the Field of Agriculture and other Related Areas Between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Beijing, 18 November 1978.
	36. Memorandum of Understanding on Scientific and Technical Cooperation in Agriculture. Signed in Beijing on 24 April 1990.
	37. Memorandum of Understanding on Cooperation in Hybrid Rice Technology. Signed on 13 July 1999.
	38. Agreement on Cooperation in Agriculture and Related Fields. Signed on 13 September 1999.
	39. Understanding on the Cooperation in the Fields of Agriculture, Irrigation and Other Related Areas between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed on 16 May 2000.
	40. Agreement between the Department of Finance and the China National Construction and Agricultural Machinery Import and Export Corporation on a US\$100-million credit facility to finance agricultural development projects in the Philippines. Signed on 20 December 2000.
	41. Memorandum of Understanding between the Department of Agriculture of the Republic of the Philippines and the Ministry of Agriculture of the People's Republic of China on Fisheries Cooperation. Signed in Beijing on 1 September 2004.
	42. Memorandum of Understanding on the Special Treatment for Rice between the Governments of the People's Republic of China and the Republic of the Philippines. Signed in Manila on 27 April 2005.
	43. Memorandum of Understanding on Expanding and Deepening Agriculture and Fisheries Cooperation. Signed in Manila on 15 January 2007.

Agriculture	44. Memorandum of Understanding between the Department of Agriculture of the Republic of the Philippines and the General Administration of Quality Supervision, Inspection, and Quarantine of the People's Republic of China in the field of Sanitary and Phytosanitary Measures. Signed in Manila on 15 January 2007.
	45. Agreement on the Development of 1 million Hectares of Land for Hybrid Corn, Hybrid Rice and Hybrid Sorghum Farming. Signed in Manila on 15 January 2007.
	46. Agreement on the Leasing of 40,000 Hectares of Agri-Business Lands for Sugarcane and Cassava Plantation. Signed in Manila on 15 January 2007.
	47. Agreement on the Provision of a 5,000-Square Meter Space for Philippine Tropical Fruits in the Jiangnan Fruit and Vegetable Wholesale Market. Signed in Manila on 15 January 2007.
	48. Agreement for the Establishment of a 150,000 Liter Per Day-Capacity Bio-Ethanol Plant in Palawan. Signed in Manila on 15 January 2007.
	49. Joint Venture Agreement for the Manufacture of Bio-Ethanol (B.M.S.B). Signed in Manila on 15 January 2007.
	50. Joint Venture Agreement for the Manufacture of Bio-Ethanol (Negros Southern). Signed in Manila on 15 January 2007.
	51. Joint Venture Agreement for the Establishment of a 150,000 Liter per Day-Capacity Bio-Ethanol Plant. Signed in Manila on 15 January 2007.
	52. Memorandum of Agreement on the Provision of Small Mobile Ice Plant and Transport Facilities to Municipal Fishery Cooperatives and Associations. Signed in Manila on 16 January 2007.
	53. Memorandum of Agreement on the Establishment of a 35-Hectare Demonstration Farm for Sweet Corn. Signed in Manila on 16 January 2007.
	54. Memorandum of Agreement on the Construction of Ship Yard, Establishment of a Cold Storage Facility and Upgrading/Rehabilitation of Certain Facilities at the Navotas Fish Port Complex (NFPC). Signed in Manila on 16 January 2007.
	55. Agreement on the Development of Candaba Swamp Resource Project as a Source of Water for Irrigation. Signed in Manila on 16 January 2007.

	56. Memorandum of Agreement on Cooperation By and Between the Bureau of Fisheries and Aquatic Resources (BFAR) and Guandong Ocean Fisheries Administration (GDOFA). Signed in Manila on 16 January 2007.
	57. Memorandum of Agreement on the Breeding and Culture of Grouper and Other High Value Species. Signed in Manila on 16 January 2007.
	58. Joint Venture Agreement on Fisheries. Signed in Manila on 16 January 2007.
	59. Agreement on Breeding and Culture of Abalone, Sea Cucumbers, Sea Urchins and Scallops. Signed in Manila on 16 January 2007.
Consular	60. Visa Agreement allowing Filipino diplomatic and consular personnel to receive multiple-entry entry visas from the Chinese Government for a maximum validity period of five years. Signed on 03 July 2002 and entered into force on 19 December 2002.
	61. Agreement Between the Government of the Republic of the Philippines and the Government of the People's Republic of China on Mutual Visa Exemption for Holders of Diplomatic and Official (Service) Passports. Signed in Beijing on 1 September 2004.
Air Services	62. Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China Relating to Civil Air Transport. Signed in Beijing on 08 July 1979 and took effect upon its signing.
	63. Memorandum of Understanding on air services. Signed in Beijing on 02 March 2004.
Infrastructure	64. Memorandum of Understanding Between the Philippine National Railways and China National Technical Import Export Corporation and China National Machinery and Import & Export Corp. Signed in Manila on 15 November 2002.
	65. Memorandum of Understanding Regarding the Utilization of the US\$400-million Preferential Buyers' Credit from China to the Philippines between the Export-Import Bank of China and the Department of Finance of the Philippines. Signed in Manila on 30 August 2003.
	66. Supplemental Memorandum of Understanding between North Luzon Railways Corporation and China National Machinery and Equipment Corporation (Group). Signed in Beijing on 1 September 2004.

	67. Memorandum of Understanding between the Department of Trade and Industry of the Republic of the Philippines and the Ministry of Commerce of the People's Republic of China on Infrastructure Cooperation. Signed in Manila on 27 April 2005.
	68. Memorandum of Understanding Regarding the Utilization of US\$500 Million Preferential Buyer's Credit from the Government of the People's Republic of China to the Government of the Republic of the Philippines between the Export-Import Bank of China and the Department of Finance of the Republic of the Philippines. Signed in Manila on 27 April 2005.
Infrastructure	69. Loan Agreement on the Provision of US\$500 million Preferential Buyer's Credit Loan for the Northrail Project Phase 1, Section 2. Signed in Manila on 15 January 2007.
	70. Concessional Loan Agreement on Non-Intrusive Container Inspection System Project Phase 2. Signed in Manila on 15 January 2007.
	71. Contract Agreement between North Luzon Railways Corporation and China National Machinery Industry Corporation for the Northrail Project Phase 1, Section 2. Signed in Manila on 15 April 2007. (originally signed in Beijing on 15 November 2006)
	72. Engineering, Procurement and Construction Contract for the Rehabilitation and Upgrading of the Philippine Mainline South Railway Project Phase 1, Section 1. Signed in Manila on 15 January 2007. (originally signed in Manila on 5 December 2006)
Tourism	73. Memorandum of Understanding on Tourism Cooperation between the Department of Tourism of the Republic of the Philippines and the National Tourism Administration of the People's Republic of China. Signed in Manila on 21 April 1989.
	74. Agreement on Tourism Cooperation between the Republic of the Philippines and the People's Republic of China. Signed in Beijing on 10 May 1990.
	75. Memorandum of Understanding concerning Tourism Cooperation. Signed in Beijing on 11 September 2002.
	76. Implementation Program of the Memorandum on Tourism Cooperation between the Department of Tourism and the China National Tourism Administration. Signed in Beijing on 1 September 2004.

Scientific and Technical	77. Agreement on Scientific and Technical Cooperation between the Republic of the Philippines and the People's Republic of China. Signed in Manila, 14 March 1978.
Maritime	78. Memorandum of Understanding between the Department of Transportation and Communications of the Republic of the Philippines and the Ministry of Communications of the People's Republic of China on Maritime Cooperation. Signed in Manila on 27 April 2005.
Cultural	79. Cultural Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China. Signed in Beijing on 08 July 1979 and took effect upon its signing.
	80. Agreement on the Protection of Cultural Heritage. Signed in Manila on 15 January 2007.
	81. Agreement on the Prevention of Theft, Clandestine Excavation, Illicit Import and Export of Cultural Property between the Republic of the Philippines and the Government of the People's Republic of China. Signed in Manila on 15 January 2007.
Sports	82. Memorandum of Understanding on Sports Cooperation. Signed in October 2001.
	83. Supplemental Memorandum of Understanding between the Philippine Sports Commission and the General Administration of Sports of the People's Republic of China. Signed on 8 April 2005.
Youth	84. Agreement between the National Youth Commission of the Republic of the Philippines and the All-China Youth Federation of the People's Republic of China on Youth Affairs Cooperation. Signed in Manila on 27 April 2005.
	85. Memorandum of Understanding on Further Development of Sino-Filipino Youth Exchange between the All-China Youth Federation and the National Youth Commission of the Philippines. Signed in Beijing on 13 July 2005.
Communications	86. Postal Parcels Agreement between the Bureau of Posts of the Republic of the Philippines and the Directorate General of Posts of the Ministry of Posts and Telecommunications of the People's Republic of China. Signed in Beijing on 18 November 1978.
Media and Information	87. Letter of Intent on Friendly Exchanges and Cooperation between the Office of the Press Secretary of the Republic of the Philippines and the State Council Information Office of the People's Republic of China. Signed in Beijing on 3 September 2004.

Source: 2007 Philippine Embassy Beijing.

ANNEX 3: Highlights of the *Joint Statement between the government of the Philippines and the Government of the People's Republic of China on the Framework of Bilateral Cooperation in the 21st Century* signed by Secretary of Foreign Affairs Domingo Siazon, Jr. and Chinese Minister of Foreign Affairs Tang Jiaxuan in Beijing, China last May 16 2000:

"To advance the fundamental interests of the two peoples and thereby contribute to peace, security, stability, sustained growth and development in Asia and the rest of the world. The two sides will establish a long term and stable relationship on the basis of good neighborliness, cooperation and mutual trust and benefit. They will undertake to elevate Philippine-China relations to greater heights in the 21st century and to this end, state the following:

The two sides:

1. Reaffirm that the purposes and principles of the United Nations Charter, the Five Principles of Coexistence, the principles established in the Treaty of Amity and Cooperation in Southeast Asia and other universally recognized principles of international law are the basic norms governing the relations between the two countries
2. Agree to maintain close and frequent high level contacts and exchange of visits at all levels, including government officials, the private sector, non-government organizations, the academic community, press and media and their peoples to contribute to a comprehensive, stable and sustained development of bilateral relations
3. Agree to maintain and strengthen the mechanism of annual meetings between senior officials and their respective Foreign Ministries for consultations on bilateral, regional, and international issues of mutual concern.
4. To make further exchanges and cooperation in the defense and military fields, strengthen consultations between their military and defense personnel and diplomatic officials on security issues, to include exchanges between their military establishments on matters relating to humanitarian rescue and assistance, disaster relief and mitigation, and enhanced cooperation between their respective strategic and security research institutes;

5. Acknowledge the similarities in their respective national development goals and agree to optimize the use of existing frameworks for cooperation in the fields of trade, investment, science and technology, agriculture, education and culture, tourism, civil aviation and taxation. They will undertake the following:
 - a. Promote better bilateral trade and investment flows and improve industrial cooperation by:
 - i. Exploring all possible measures to effect increases in trade volumes and product choices
 - ii. Agreeing to provide a conducive market environment, through identification and removal of trade and investment impediments
 - iii. Improving transparency of trade-related regulations
 - iv. Undertaking investment promotion and joint investment in third countries and
 - v. Encouraging a pro-active role for the business sectors of both sides;
 - b. Intensify exchanges and cooperation in the financial field on the basis of reciprocity. They will work together for the reform of the international financial system
 - c. Expand scientific and technological cooperation in accordance with the Agreement on Science and Technology Cooperation signed on 14 March 1978 and enter into new areas of cooperation through joint research, technology transfer and other means
 - d. Implement the Agreement on Cooperation in the Field of Agriculture signed on 13 September 1999, by promoting economic and technological cooperation in the agricultural field, increasing data exchange and conducting joint research and encouraging their enterprises, scientific research institutes and business groups concerned to take an active part in agricultural cooperation so as to bring about common growth of the two economies.
 - e. Continue to implement the biennial executive programs in accordance with the Cultural Agreement signed on 08 July 1979. They will further enhance their exchanges and cooperation in the fields of culture, arts, education, film, sports, health care, religion, social science and book publications through among others, the exchange of delegations and art troupes, visits by experts, and exhibitions held in each other's country

- f. Further develop bilateral tourism cooperation and expand the tourism market in an effort to achieve common development of their tourism industries
-
- 6. Either side shall accord the other due facilitation in accordance with international norms, so that the nationals of either country who reside, work or travel in the territory of the other country may receive consular protection by the appropriate officials of their own country when they are in distress or involved in legal, labor or other disputes
 - 7. Will continue to explore new areas for cooperation among their law enforcement, judicial security and defense agencies in order to address the serious threats posed by organized transnational crimes
 - 8. Will continue to provide policy guidance to their respective national agencies in order to strengthen the role of the various Joint Committees in identified areas of cooperation
 - 9. Commit themselves to the maintenance of peace and stability in the South China Sea. They agree to promote a peaceful settlement of disputes through bilateral friendly consultations and negotiations in accordance with universally recognized principles of international law, including the 1982 UN Convention of the Law of the Sea. They affirm adherence to the 1995 Joint Statement between the two countries on the South China Sea and agree not to take actions that might complicate or escalate the situation. The two sides expressed their determination to follow through the work of the Philippine-China Working Group on Confidence Building Measures to enhance peace and stability in the region. They reiterate that they will contribute positively toward the formulation and adoption of the Regional Code of Conduct of the South China Sea
 - 10. Recognize and respect the universality of human rights taking into account their distinct culture, tradition and practices. They shall encourage exchanges and cooperation on human rights on the basis of equality, mutual respect, with a view to enhancing mutual understanding. They will work together for the progress and protection of the cause of human rights
 - 11. Affirm their commitment to respect the independence, sovereignty and territorial integrity of each other. The Philippine government reaffirms its One-China Policy and recognizes that Taiwan is an integral part of Chinese territory.

12. Agree to deepen cooperation between the PRC and the Association of Southeast Asian Nations (ASEAN) recognizing that close Philippines-China relations contribute to the promotion of PRC-ASEAN and ASEAN + 3 (PRC, Republic of Korea and Japan) relations. They will jointly promote dialogue and cooperation in East Asia in accordance with the Joint Statement on East Asia Cooperation issued in Manila on 28 November 1999 to make a significant contribution to the peace, stability and prosperity of the region and the world.
13. Agree to continue their coordination and cooperation at the Association of Southeast Asian Nations, ASEAN Regional Forum, Asia-Pacific Economic Cooperation, ASEM, World Trade Organization, United Nations and other multilateral fora. They will actively promote and protect the common interests of developing countries in regional and international fora, particularly in the areas of trade and finance, human resources development and promotion of the interests of labor, farmers, women and children among others;
14. Agree to promote the establishment of an equitable and rational world order.



c/o Management and Organizational
Development for Empowerment, Inc. (MODE, Inc.)
99 Matintiman Street, Sikatuna Village,
Quezon City, Philippines 1101
Tel #: (632) 434-3576
Fax #: (632) 426-1126
Email: odawatchcanvenor@yahoo.com
Website: <http://www.odawatch.org>